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Farmers Home Administration

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Community Facility Loans



Community Facility Loans

Farmers Home Administration (FmHA) is authorized to make loans to develop community facilities for public use in rural areas and towns of not more than 20,000 people.

FmHA district directors and members of their staffs will help interested communities and associations prepare their applications for review.

Applications will be considered without regard to race, color, religion, sex, marital status, age, handicap, or national origin of members of the group applying for assistance. Opportunity to construct, develop, and use the facilities must be extended on this same basis.

Who May Receive Assistance?

Loans are available for public entities such as municipalities, counties, and special purpose districts. Nonprofit corporations may also receive loan assistance when adequate plans for loan repayments are made.

In addition, borrowers must:

Be unable to obtain needed funds from other sources at reasonable rates and terms. Have legal authority to borrow and repay loans, to pledge security for loans, and to construct, operate, and maintain the facilities or services. Be financially sound, and be able to organize and manage the facility effectively.

The project must be:

Based on taxes, assessments, revenues, fees, or other satisfactory sources of money sufficient for operation, maintenance, and reserve, as well as to retire the debt. Be consistent with available comprehensive and other development plans for the community, and comply with Federal, State, and local laws.

How May Funds Be Used?

FmHA loan funds may be used to construct, enlarge, or improve fire stations, libraries, hospitals, clinics, community buildings, industrial parks, or other community facilities that provide essential service to rural residents; and to pay necessary costs connected with such facilities.

Borrowers may also use the money for roads, bridges, utilities, and other improvements or to acquire interest in lands, leases, and rights-of-way necessary to the development of the facility.

Interim commercial financing will normally be used during construction, and FmHA funds will be available when the project is completed. If interim financing is not available or if the project costs less than \$50,000, multiple advances of FmHA funds may be made as construction progresses.

What Are The Terms?

The maximum term on all loans is 40 years. However, no repayment period will exceed any statutory limitation on the organization's borrowing authority nor the useful life of the improvement or facility.

What Is The Interest Rate?

Interest rates will be set periodically and will be based on current market yields for municipal obligations, except that some loans which involve the use of prime or unique farmland may require a slightly higher interest rate. Certain other loans may be made at a lower interest rate. The current interest rate may be obtained from any FmHA office.

What Security Is Required?

All loans will be secured to adequately protect the interest of the Government. Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet statutory requirements. A mortgage may also be taken on real and personal property when State laws permit.

Where Will Applicants Obtain Technical Help?

The Farmers Home Administration will assist the applicant in making the first determinations regarding engineering feasibility, economic soundness, cost estimates, organization, financing, and management matters in connection with the proposed improvements.

If financing is provided by FmHA, the agency will make periodic inspections to see that funds are used as agreed upon.

How Is Application Made?

Any FmHA office can give basic information about community facility loans, but application should be made at the FmHA district office. The district office staff will be glad to discuss services available from the agency and explain how to prepare a written application.

FmHA office locations can usually be found in the telephone directory under "U.S. Government, Department of Agriculture," or by writing "Farmers Home Administration, USDA, Washington, DC 20250."

Are Grant Funds Available?

No grant funds are available under this program.

What Other Programs Does The Farmers Home Administration Have?

The agency also makes loans for buying and operating family farms and for assisting farmers in emergency situations; for housing in rural areas; for water and waste disposal systems; and for business and industrial development.

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